



U.S. Small Business Administration

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U.S. Small Business Administration

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# NEWS for Eastern Iowa Lenders

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## Important Message from the District Director

Effective immediately, I will manage both Iowa SBA offices. I will serve as the Acting District Director of the Des Moines Office and Branch Manager of the Cedar Rapids Office. In October, the Branch Office will report to the District and all loan numbers and other statistics will be combined.

With these changes, Roger Hoffman becomes the Assistant Branch Manager and Christa Brusen-Gomez the Branch Counsel. All other faces and positions remain the same. We will continue to serve you promptly and professionally.

In the first nine months of this fiscal year, the Cedar Rapids Office is 10% ahead in loan numbers over the previous year. Our average loan size has increased from \$172,000 to \$207,000. Nationally, we are up 36% in loan volume and down 25% in average loan size.

In order for us to attain our goals, we need your help through September. Although up in loan volume, we are still 20% below meeting our set goals. We need an average of six 504 loans per month in the last three months and an additional ten loans per month in 7(a), Low Doc, or Express. We have made our numbers in minority, veterans, and international trade. Anything you can do will be appreciated.

2003 marks a milestone for this Agency as we celebrate our Golden Anniversary. SBA was the first agency to be formed in the Eisenhower administration in 1953 and we are pleased with our accomplishments. However, with you as valued partners in economic development, we can only get better. Although programs and people change, we are committed to serve you and your small business community.

- James N. Thomson

## Collateral Value

The SBA recently published a Policy Notice for purposes of clarifying the intent and language regarding the interpretation of the phrase "Fully secured". SBA is a cash flow lender and does not routinely apply loan-to-value criteria in deciding whether to approve or decline loan guaranty requests. However, the lender must ensure that the borrower has pledged adequate collateral, both business and personal, to protect the interests of the Government. If business assets do not fully secure the loan, personally-owned assets of the principals should be pledged. Generally, commercial assets and investment properties are pledged first and then each principal's primary residence.

SBA policy now reads:

A loan is considered "fully secured" if SBA has security interests in assets with a combined "collateral value" at the time of the loan application equals the loan approval amount. (See "collateral value" definition below.) To restate, when a 100 percent Loan-to-Value (LTV) ratio is reached, additional collateral is not necessary and the loan is considered "fully secured." The lender/SBA may, however, take such additional collateral as it determines necessary for a particular loan.

Except for loans where 100 percent of the proceeds are to be used for working capital, the first step in determining whether the 100 percent LTV ratio has been reached is to calculate the collateral value of the business's fixed assets (real estate and machinery and equipment). If the collateral value of these assets equals or exceeds 100 percent of the loan amount, no additional collateral is necessary.

If the 100 percent LTV ratio cannot be achieved using the business's fixed assets, the next step is to calculate the collateral value of the inventory, receivables, any other business assets, and any secondary collateral (e.g., personal residences or investment assets). Such assets must be pledged until the 100 percent LTV ratio is reached

The exception to this policy is loans where the use of proceeds is 100 percent for working capital. For these loans, the primary collateral is inventory and receivables. As stated above, however, such assets generally offer little value at liquidation. If this collateral is insufficient to obtain a 100 percent LTV ratio, the lender/SBA must take such additional collateral, either fixed assets, other business assets, or secondary collateral, to reach the 100 percent LTV ratio.

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The calculation of the LTV ratio must be based on “collateral value” and not market value. The “collateral value” of an asset must be determined by estimating the amount expected to be realized if the lender took possession after a loan default and sold the asset after conducting a reasonable search for a buyer. The lender must also deduct the estimated costs of taking possession, preserving and marketing the asset, less the value of any claims against the asset including superior liens to determine the collateral value. Many lenders call this a “liquidation value.”

When estimating the amounts and costs that make up “collateral value,” the lender must follow the same internal written policy and procedures it uses to determine liquidation value for its non-SBA guaranteed loans. The lender must document in the loan file the policy and procedures it uses.



## 50th Anniversary Information

**August 1, 2003:** The national recognition of the agency’s 50th anniversary at the Dwight D. Eisenhower Library and Museum in Abilene, KS.

**September 17-19, 2003** The national Entrepreneurial Conference & Expo (NECE), in Washington, D.C. includes a Trade Show, Procurement Matchmaking Events, Business Sessions, Town Halls, and Award Ceremonies, including the National Small Business Person of the Year Award. Also, SBA will inaugurate the SBA’s Hall of Fame, in honor of those who have achieved the American Dream, by recognizing some of the greatest achievements in our country’s small business history.

### Our office had 17 loan approvals in June! Thanks to the following lenders:

Lender	Project location	#	Total \$ amount
ASSOCIATED BANK, NATIONAL ASSOCIATION	DAVENPORT	1	\$50,000
CAPITAL ONE, FEDERAL SAVINGS BANK	DAVENPORT	1	\$50,000
CEDAR RAPIDS BANK AND TRUST COMPANY	HIAWATHA	2	\$530,000
CEDAR RAPIDS BANK AND TRUST COMPANY	LISBON	1	\$300,000
FARMERS STATE BANK	NORTH LIBERTY	1	\$140,000
FIRST MIDWEST BANK	DAVENPORT	1	\$150,000
HEDRICK SAVINGS BANK	CEDAR	1	\$36,000
HILLS BANK AND TRUST COMPANY	CORALVILLE	1	\$100,000
INNOVATIVE BANK	CEDAR FALLS	1	\$5,000
IOWA BUSINESS GROWTH COMPANY	CEDAR RAPIDS	2	\$2,600,000
SMALL BUSINESS LOAN SOURCE INC	DUBUQUE	1	\$1,333,000
WELLS FARGO BANK	CEDAR RAPIDS	3	\$425,000
WELLS FARGO BANK	DAVENPORT	1	\$30,000

Use SBA loan programs to grow your local business economy!

### Upcoming Events:

SBA is hosting a government contracting/matchmaking event August 28, 2003. Registration at 8:15 am

Presentations To Start Promptly At 8:30 Am With Time For One-On-One Discussions With Purchasing Reps Until 12:30 Pm at Kirkwood Training & Outreach Service Center, 3375 Armar Drive, Room 100 Marion, Iowa

**\*\* Space Is Limited To 75 \*\***

Call or Email Diane At 319-362-6405, Ext. 200 or <mailto:diane.bieber@sba.gov> To Reserve Your Spot! (Name of business, name & title of attendee(s), phone & fax number, email, AND mailing address)

**WHAT:** SBA DAY in Oelwein! Please visit. Please extend this invitation...to...Small Business Clients and Entrepreneurs.

**WHY:** We can brainstorm economic development ideas, business proposals and financing projects.

**WHO:** Jim Thomson, Branch Manager and Carolyn Tonn, Economic Development Specialist.

**WHEN:** August 12, 2003, 11:00 a.m. to 1:30 p.m.

**WHERE:** The First National Bank, Oelwein.

**SCHEDULE:** Carolyn will be in the lobby of the bank Tuesday 11 AM to 1:30 PM. Jim will be calling on local main street businesses from 11 am to 1:30 pm.

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## District Small Business Awards for 2003

### **Eastern Iowa Small Business Person of the Year: Daniel Terrill, Nolting Manufacturing, Inc., 1265 Hawkeye Dr., Hiawatha IA 52233**

When Dan Terrill bought Longarm quilting machine manufacturer Nolting, Inc. from inventor/businessman Fred Nolting, he knew little about the quilting cottage industry. The veteran steel salesman did know how to run a steel-based manufacturing business, though, and he figured that whatever else he needed to know, he could learn very quickly. Dan spent 7 months in tiny Stover in southern Missouri, the birthplace of the hand guided Longarm quilter. Dan knew that Stover was too small and remote a location to build his vision of Nolting, so he chose to move the business to Hiawatha IA, near his hometown Robins.

More than one year after a rocky start with delayed project times and reduced revenues, Nolting has more than doubled sales from about \$600,000 at the time of purchase to over \$1.3 million today. Projected sales for 2003 are over \$2 million. Operating in a 12,000 square foot facility, Nolting currently employs 16 full-time. How can a company become a multimillion dollar player with the third largest sales among 8 quilting machine manufacturers nationwide so quickly? Simple, let the customer know about the product rather than making them search for you. "I'm not going to hide from (our customers)," said Dan. "... We advertise in every major quilting magazine, where that was never done before." Dan was nominated for this award by Paula Wickham, Vice President, Cedar Rapids Bank and Trust Company.

### **Iowa Women in Business Advocate of the Year: Christine Mollenkopf-Pigsley, Director of Microenterprise, ISED, 910 23rd Ave. Coralville, IA 52241**

Christine Mollenkopf-Pigsley started her relationship with the Institute for Social and Economic Development (ISED) in 1996 as a contract consultant. She became a member of the ISED staff in 1998, and over a period of six years she has directly served over 400 persons through ISED training. A total of 71 of these persons went on to start their own businesses, with 54 of them being women. Currently, Christine is the Director of Microenterprise for ISED, where she supervises all the entrepreneurial training staff throughout the state of Iowa and oversees the microenterprise operations of six ISED branch offices in Iowa.

Despite the hectic pace of her administrative duties, Christine continues to work one-on-one with women entrepreneurs in a consulting capacity. She was instrumental in making ISED training available to inmates of the Mitchellville Correctional Facility – a project that received national attention – and is now involved in designing training for underemployed women and minorities in Iowa. She was nominated for this award by Mel Essex of the ISED office in Cedar Rapids.

### **2003 Eastern Iowa Journalist of the Year: Cynthia Beaudette, Muscatine Journal, 301 E. Third St., Muscatine IA 52761**

In her twelve years in journalism in the Quad Cities/Muscatine Iowa and Upper Peninsula region of Michigan areas, Cynthia Beaudette has brought a style of reporting that informs the public about local small businesses and the benefits of local commerce. Each week at the Muscatine Journal, she authors an article relating to new innovations, new products, product updates, business expansions, promotions, and key new personnel hires. A feature for the special 2001 "Progress" section of the paper included profiles of the owners, employees, and customers of five downtown businesses.

In addition to being a full time education, business, and outdoor reporter for the Muscatine Journal, Cynthia Beaudette is also a volunteer reporter for the monthly Blue Grass Bugle. Cynthia is a member of the Advisory Board of the Domestic Violence Prevention Commission of Muscatine. Cynthia is the mother of four children ages 7 to 19 and resides in Blue Grass, IA with her family. Cynthia was nominated for this award by Joseph Clarke, Chairman of the Muscatine Chapter 662 of SCORE.

### **2003 Eastern Iowa Financial Services Advocate of the Year: Lisa Northup, Wells Fargo Bank, 4300 E. 53rd St., Davenport IA 52807**

In her seventeen years in banking, starting as a teller and working up to Small Business Lender, Lisa Northup has made many professional and volunteer contributions to furthering the climate of economic development in eastern Iowa. In her current position, she oversees lending to businesses with revenues under \$2 million. She has the opportunity to assist many young, female, minority and disadvantaged entrepreneurs with loans and grants through state programs such as the Targeted Small Business Financial Assistant.

Ms. Northup is an active volunteer in the community, contributing time and energy to Junior Achievement, the Quad Cities Variety Club, the Advisory Board for the Institute for Social and Economic Development, and the Cedar Rapids-based Women's Business Center of Iowa. Lisa was nominated for this award by Joni Thornton, President of the Women's Business Center of Iowa.

## Iowa Lender's Guide

***For service when you need it, every day, all day***

Welcome to America's homepage for small business, [www.sba.gov](http://www.sba.gov). We're here to serve you 24 hours a day and seven days a week. Of course, we can't keep our office open continuously. We are limited to an 8 hour day. When you have a question after 4:30 pm, visit our web site for the answer. To ensure our community of Iowa lenders receives the same quality of service afforded to small businesses, we have set up a special web site, the Iowa Lender's Guide at [www.sba.gov/ia/guide/](http://www.sba.gov/ia/guide/).

Visit it today and let us know what you think. You won't find every answer, and that's partly because we haven't finished it yet. We will add more to it later this year. Right now you'll find answers to questions like: "How do I find out if a business I am financing meets SBA size standards?" or "How do I process a loan to a non-U.S. Citizen?" We know you don't have a lot of time to read, so we've kept our comments short and to the point. Also, we have special clutter-free page versions you can print easily.

If you're looking for more reading depth, we have links at the end of some pages to the SBA Lender's Guide Prepared by the SBA N Florida District <http://www.sba.gov/fl/north/nflendersmanual.html> offering "Everything you ever wanted to know about SBA lending." Although it's divided into 13 chapters in pdf format, if you don't have DSL or a cable modem, viewing or printing much of this guide may be very difficult.

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## Branch Office Staff

**Managers:** James N. Thomson <mailto:james.thomson@sba.gov> (Tel: 319-362-6405, Ext. 203), the Branch Manager; Roger A. Hoffman <mailto:roger.hoffman@sba.gov> (Ext. 218), the Assistant Branch Manager; and Barb Merz <mailto:barbara.merz@sba.gov> (Ext. 201), the Administrative Officer.

**Finance and Portfolio Management team:** Directed by Roger Hoffman, processes new loans, services existing loans, and performs lender oversight and training in the branch. The finance and portfolio management team is staffed by Diane Reinertson <mailto:diane.reinertson@sba.gov> (Ext. 215), Dianne Martin <mailto:dianne.martin@sba.gov> (Ext. 216), and Sheri Osterkamp <mailto:sheri.osterkamp@sba.gov> (Ext. 212).

**Program and Services Marketing team:** Directed by James Thomson, coordinates the varied services of our community development partners to ensure that all necessary services are delivered to our clients, the general public. The programs and services marketing team is staffed by Dee Ann Glover <mailto:dee.glover@sba.gov> (Ext. 217), Carolyn Tonn <mailto:carolyn.tonn@sba.gov> (Ext. 207) and Keith McBride <mailto:keith.mcbride@sba.gov> (Ext. 221).

**Branch Counsel:** Christa Brusen-Gomez <mailto:christa.brusengomez@sba.gov> (Ext. 220).

**Administrative:** Administrative Assistant Diane Bieber <mailto:diane.bieber@sba.gov> (Ext. 200) directed by Barbara Merz.

**Information Resources Manager:** Pat Gosnell <mailto:patricia.gosnell@sba.gov> (Ext. 202) maintains the computer system. Directed by James Thomson.

## Quarterly Stats for the First Nine Months of FY2003, Compared with Last Year

FY 2003 1st Qtr	Loans	Amounts	FY 2002 1 <sup>st</sup> Qtr	Loans	Amounts
Veterans	6	\$1,613,300	Veterans	5	\$1,187,000
Minority	2	\$255,500	Minority	1	\$71,000
Women	12	\$1,050,500	Women	7	\$868,800
LowDoc	21	\$1,609,000	LowDoc	16	\$868,800
504	7	\$3,695,000	504	6	\$1,861,000
All Loans	50	\$9,962,200	All Loans	43	\$8,781,500
FY 2003 2nd Qtr	Loans	Amounts	FY 2002 2nd Qtr	Loans	Amounts
Veterans	5	\$927,500	Veterans	4	\$551,000
Minority	3	\$1,190,000	Minority	2	\$207,000
Women	12	\$1,086,000	Women	11	\$921,900
LowDoc	34	\$2,848,000	LowDoc	29	\$2,358,600
504	3	\$722,000	504	4	\$337,000
All Loans	52	\$9,162,000	All Loans	39	\$4,005,700
FY 2003 3rd Qtr	Loans	Amounts	FY 2002 3rd Qtr	Loans	Amounts
Veterans	4	\$389,000	Veterans	3	\$564,000
Minority	8	\$1,632,000	Minority	2	\$144,500
Women	11	\$766,600	Women	14	\$1,568,400
LowDoc	19	\$1,436,700	LowDoc	21	\$1,609,400
504	6	\$3,253,000	504	14	\$3,252,000
All Loans	53	\$13,085,700	All Loans	58	\$10,244,400
FY 2003 1st 9 Mos	Loans	Amounts	FY 2002 1st 9 Mos	Loans	Amounts
Veterans	15	\$2,929,800	Veterans	12	\$2,302,000
Minority	13	\$3,077,500	Minority	5	\$422,500
Women	35	\$2,903,100	Women	32	\$3,359,100
LowDoc	74	\$5,893,700	LowDoc	66	\$4,836,800
504	16	\$7,670,000	504	24	\$5,450,000
All Loans	155	\$32,209,900	All Loans	140	\$23,031,600